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# ILLINOIS BUSINESS REVIEW

*A MONTHLY SUMMARY OF BUSINESS CONDITIONS FOR ILLINOIS*


MAR 29 1960


PUBLISHED BY . . . .
BUREAU OF ECONOMIC AND BUSINESS RESEARCH
COLLEGE OF COMMERCE · UNIVERSITY OF ILLINOIS

VOLUME XVII | MARCH, 1960 | NUMBER 3


## HIGHLIGHTS OF BUSINESS IN FEBRUARY

The sharp post-strike rebound in economic activity appeared to be ending in February. The index of industrial production fell 1 point to 167 (1947-49 = 100). The seasonally adjusted index of department store sales declined 6 points to 140 percent of the 1947-49 average. However, employment reached a record high for the month and the rate of unemployment dropped from 5.2 percent to 4.8 percent, after allowance for seasonal factors.

Weekly steel production edged down from the preceding month, and automobile output declined from 689,000 units in January to 659,000 in February. With dealers' inventories of both new and used cars near record highs at the end of February, further cuts in auto production were being made in March. It now appears that first-quarter output of automobiles will run about 15 percent below original schedules. However, sales of American-made passenger cars in February were up about 6 percent over January on a daily average basis, with the total for the month amounting to 484,000 units.

### Another Gain in Construction

The seasonally adjusted annual rate of new construction put in place rose nearly 2 percent from January to February, reflecting less-than-seasonal declines in both private and public activity. The unadjusted volume of construction expenditure in February amounted to $3.6 billion, down 4 percent from the preceding month but 2 percent above the year-earlier period. Private construction was off 3 percent from January to $2.7 billion, as residential building dropped from $1.5 billion to $1.4 billion. Small increases over January were reported for private nonresidential building, farm construction, and utilities.

Public spending on construction totaled $912 million, down 7 percent from January and 12 percent from the year-earlier month. All categories of public construction except housing declined from January. Highway expenditures fell from $280 million to $250 million, bringing them 22 percent below February, 1959.

### Inventories Accumulate

Business inventories rose at a $12.0 billion annual rate in December and January, carrying stocks above the 1959 pre-strike high. Monthly increases of $1.0 billion in the seasonally adjusted book value of manufacturing and trade inventories brought the total to $90.4 billion at the end of January.

Most of the accumulation occurred in manufacturers' stocks, the book value of which rose $750 million in January to $53.2 billion. Sales by manufacturers were unchanged from the preceding month at an adjusted $30.8 billion, with a rise of $400 million in shipments of durables, mostly autos, being offset by a decline in nondurables. Seasonally adjusted new orders received by manufacturers fell $1.0 billion to $29.7 billion, with the decline shared equally by durables and nondurables.

Trade inventories also rose, with wholesalers' stocks up $100 million and those of retailers up $200 million, after allowance for seasonal factors. Nearly all of the latter increase was accounted for by expanded automotive inventories in dealers' hands. Retail sales advanced from $17.5 billion in December to $18.2 billion in January, largely as a result of increased automobile sales.

### Further Rise in Consumer Debt

Consumers added a seasonally adjusted $463 million to their short- and intermediate-term debt in January. The total outstanding at the end of the month amounted to $51.4 billion, of which $39.4 billion represented instalment debt and $12.0 billion noninstalment obligations. Instalment loans accounted for $393 million of the debt expansion in January, with extensions of new credit of this type amounting to $4.2 billion compared with repayments of $3.8 billion. Part of this increase reflected the pickup in auto sales in January: additions to automobile paper outstanding came to $149 million. Other consumer goods paper and personal loans expanded $119 million and $101 million respectively. Seasonally adjusted increases of $41 million in single-payment loans and $31 million in charge accounts accounted for the expansion in noninstalment debt.

### Rise in Capital Spending Predicted

The latest SEC-Commerce survey indicates that businessmen expect to spend $37.0 billion on new plant and equipment in 1960 compared with actual expenditures of $32.5 billion in 1959. This would be an increase of 14 percent and would raise total outlays to the previous high established in 1957. Manufacturing firms were the most optimistic, predicting a rise of $3.0 billion in their spending to $15.1 billion in 1960. Increases of 67 percent by the iron and steel industry and 59 percent by the motor vehicle industry were anticipated before recent production cutbacks. Outlays by nonmanufacturing firms were expected to rise only $1.4 billion to $21.9 billion.

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# ILLINOIS BUSINESS REVIEW

**Monthly except July-August when bimonthly**

**BUREAU OF ECONOMIC AND BUSINESS RESEARCH**
**UNIVERSITY OF ILLINOIS**

**Box 658, Station A, Champaign, Illinois**

The material appearing in the *Illinois Business Review* is derived from various primary sources and compiled by the Bureau of Economic and Business Research. Its chief purpose is to provide businessmen of the State and other interested persons with current information on business conditions. Signed articles represent the personal views of the authors and not necessarily those of the University or the College of Commerce. The *Review* will be sent free on request.

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*Research Assistants*

R. W. BECKSTEAD — JACK A. RARDIN

C. G. PELEKOUDAS


## High Cost of Medical Care

In the recently released Study Paper No. 5 of the Joint Economic Committee entitled "Trends in the Supply and Demand of Medical Care," Markley Roberts observes: "Total spending on health and medical care is approaching $25 billion a year, or about 5 percent of gross national product. The price of this portion of the GNP has been rising rapidly, and thus has served to raise consumer prices, and no study of inflation would be complete without examination of this sector." At the last report, the prices charged for medical care stood 53 percent above the 1947-49 average — highest of any major component of the consumer price index.

It is common to speak of the "revolution in medical science" during the last quarter century. The new technology has changed medical practice tremendously, not only in its health-giving aspects but in its economics as well. In seeking to understand the latter, conditions affecting at least four kinds of medical costs have to be considered — doctors' fees, drug prices, hospital charges, and health insurance premiums.

### The Doctor

Part of the pressure on prices derives from a shortage of doctors relative to the expanding demands of a prosperous people. Although the total number of doctors rose by one-eighth from 1949 to 1957, the ratio of doctors declined from 135 to 132 per 100,000 population over the same period. Despite this relative decline, doctors' fees rose less than the index of medical care and even a little less than prices of all service items.

This restraint in pricing does not mean that the doctor's income has been correspondingly limited. The doctor has a better arsenal of tools, enabling him to treat more patients, often with only casual contact. Since the danger of moving patients for office visits is reduced by more effective drugs, he makes fewer time-consuming house calls. He dispenses fewer drugs directly, partly because there are just too many, and he assigns some aspects of diagnosis or treatment to hospital personnel, so that his services are supplemented, but higher prescription, hospital, and laboratory charges are added.

In making this substitution, there are many occasions for a choice between more or less costly forms of treatment, and there appears to be little incentive to choose the less expensive. The medical profession accepts responsibility for the health of the patient but not for his economic welfare. The tradition of charging in accordance with ability to pay has often aided the poor, but recently insurance plans have increased the number of patients who are able to pay. If the busy doctor can save time by shifting part of the treatment, he may therefore be inclined to do so. Moreover, under the new technical conditions some form of group practice is often desirable and at times is even a necessity, so he maintains local hospital ties, and any conflicts of interest that arise may reasonably be resolved in favor of himself and his associates.

The drug companies have moved toward sharing in this relationship. Their primary promotion effort through the detailmen — field representatives who visit doctors periodically in their own offices — is directed at developing a similar partnership. Where there is a choice between an expensive and a cheap drug, who should benefit? A recent statement of the AMA Council on Medical Service seems to suggest that this question should be answered in favor of the drug company except where the patient clearly cannot afford to pay: "Physicians might well give consideration to prescribing by generic rather than [brand] names . . . in the treatment of welfare patients."

### The Drug Company

The research that produced the new drugs and vaccines has eliminated or greatly reduced some of the most deadly diseases and shows promise of dealing with others. Some of the new drugs have been so useful as to be typically over-used — as indicated by reactions from repeated use. There are now so many of them, the local drugstore cannot stock them all and the doctor cannot fully know their uses and limitations.

In January it was pointed out here that costs and prices in the drug industry have been inflated by wasteful competition in drug development and promotion and, further, that these forms of competition resulted in a stratified market situation that permitted profits to rise with costs. The prescriptions-and-drugs component of the consumer price index has risen about 35 percent since the base period, or almost twice as fast as the average for other commodities. Nevertheless, it has risen least of the four major components of medical care.

The justification for the intensive promotion through an army of detailmen estimated at 20,000 to 50,000 (no accurate data available) is that they provide the only effective means of putting up-to-date information into the hands of the doctors. Without them, presumably, it would take doctors six months to a year or more to obtain information from the medical journals on clinically tested effects and reactions of new drugs. On the other hand, some skeptical observers question both the validity of the information provided in this way and the need for extreme haste in getting new drugs into use.

Under these circumstances, even the doctor may be confused. One doctor, recently asked about the effectiveness of his prescription, replied: "There is really no way of determining it at the present time. But if it only does half the good they claim, it is worth using." His use of it without controls could hardly establish its value.

### The Hospital

The most extreme effect on the cost of medical care comes not from the doctors or drug makers but from the hospitals and health insurance plans. The latter contribute in part by increasing the demand for the former.

(Continued on page 8)

# THE TANNING INDUSTRY

Much of the early tanning in this country was crudely done within the family. As settlements expanded, however, the demand and need for community tanners increased. The commercial tanning industry quickly became one of the country's leading industries, chiefly because of (1) the widely accepted use of leather in apparel and for harnesses for animals, (2) the abundant supply of hides and tanbark in this country, and (3) the prohibitively high cost of imported European leathers and textiles.

When tanning extracts and concentrates were developed in the latter part of the nineteenth century, the industry underwent a revolutionary change. New emphasis was placed on locating near supplies of hides and skins rather than near tanbark supplies, and output was expanded by mechanization. Tanneries grew larger and a rapid integration and abandonment of plants ensued which reduced the number of establishments from 6,640 in 1850 to 1,300 by 1899, while the value of shipments rose from $42 million to $204 million. In the present century, the industry has experienced extreme expansions during and just after both world wars, followed by production declines. For example, the industry's value added by manufacture fell from $404 million to $294 million between 1947 and 1957.

## Current Condition of the Industry

Despite the integration referred to above, the average plant today is relatively small. Nearly 98 percent of all tanneries employ fewer than 500 workers and these plants account for more than 80 percent of the industry work force. The majority of tanneries are independent units, although some of the large meat packers own tanneries, as do some of the larger shoe producers which manufacture part of their leather requirements.

The industry has two major kinds of leather processing establishments, the regular and the "contract" tanneries. The former, which are the largest producers of leathers, buy hides and skins for manufacture and sale as processed leather, whereas contract tanneries specialize only in the making of leather. A third type of establishment, the "leather converters," function much the same as regular tanneries but do not maintain processing plants; most of their work is done by contract tanneries.

Because of its early establishment and growth in the eastern section of the United States, the tanning industry today is concentrated in that area. More than 380 of the estimated 500 establishments producing leather in their own plants (excluding "converters") are in the New England and Middle Atlantic states. The only other area of significant production is in the Midwest, where Illinois and Wisconsin together have more than half of the remaining processing plants.

## Some Industry Problems

Probably the industry's most important problem is the continuing long-term decline in consumption of leather, particularly sole leather, which began about 1920. The major causes for this decline have been the changes in fashion and social habits and the development of new, more economical substitutes, such as plastics and synthetics. The greatest gain by the newer substitutes has been made in the shoe industry, which uses about 82 percent of all tannery products. Other leather products, such as luggage, gloves, upholstery, and industrial leathers, also have yielded somewhat to substitutes.

Although larger plants have been able to mechanize to some extent, the industry is not easily adapted to automation, a factor which has hindered its general competitive position as compared with cheaper substitutes. Moreover, this factor, combined with the long-term decline in the popularity of leather goods, has proved a general deterrent to replacement of older equipment by medium-sized and smaller establishments.

Inventories are a perplexing problem for the average tannery, although these vary according to tanning materials and the type of leather produced. Large inventories are necessitated by the long processing period required. This problem is further complicated by the shifting values of inventories during the tanning period, stemming from erratic price fluctuations for hides and skins. Thus, the long processing time and general price instability of raw materials tend to force the average tanner into a speculative position.

## Tanning in Illinois

Although leather tanning is not a large industry in the State today, Illinois was sixth nationally in 1957 with shipments estimated at more than $42 million. This total was greater than that of any other state west of Pennsylvania, except Wisconsin. The majority of tanneries in the State specialize in producing leather from cattle and calf hides. This source made up more than two-thirds of total shipments in 1957.

Between 1947 and 1957 the value of shipments in Illinois dropped nearly 44 percent and during the same period total employment shrank nearly a third. Shifts in the packing industry from Illinois played a part in this decline, and the rest resulted from the factors mentioned earlier which affect the industry as a whole.

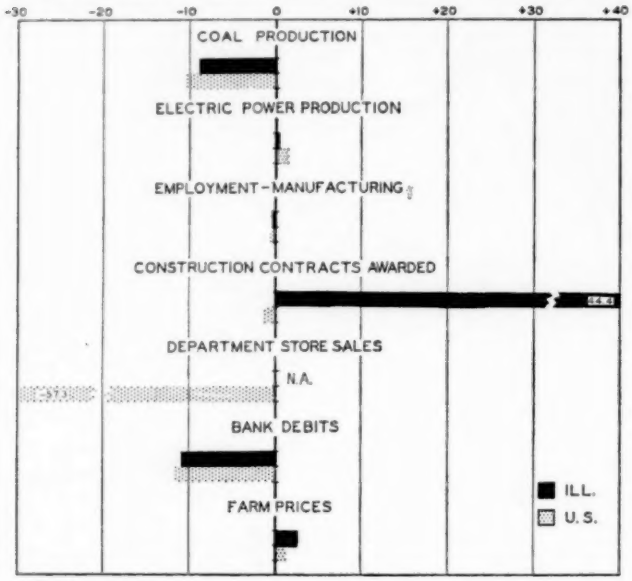
Today, almost all of the Illinois tanning takes place within the Chicago area. Only one of the estimated 25 establishments in the State is located downstate, the large Wood River Tannery owned by International Shoe Company in Madison County. The dominant position of Chicago results from the fact that the city is near the supply of hides and skins sold by the meat-packing and slaughter houses and to the state's largest market for leather goods manufacturers.

Although about half of the plants in the State have fewer than 20 employees, a number of large firms, by industry standards, are found in Illinois. The largest is the Griess-Pfleger Tanning Company of Waukegan, which is among the nation's leading tanning firms. Other important firms, all of which are in Chicago, include Guttmann and Company, Hoffman-Stafford Tanning Company, Horween Leather, and Superior Tanning. In general, most of these companies specialize in certain types of leathers.

# STATISTICAL SUMMARY OF BUSINESS ACTIVITY

## SELECTED INDICATORS

**Percentage changes December, 1959, to January, 1960**




n.a. Not available.

## ILLINOIS BUSINESS INDEXES

| Item | Jan. 1960 (1947-49 =100) | Percentage change from Dec. 1959 | Percentage change from Jan. 1959 |
|---|---|---|---|
| Electric power[1] | 253.2 | + 0.3 | + 3.8 |
| Coal production[2] | 85.0 | − 8.9 | − 4.2 |
| Employment—manufacturing[3] | 102.6[a] | − 0.4 | + 4.8 |
| Weekly earnings—manufacturing[3] | 172.9[a, b] | + 3.6 | + 5.3 |
| Dept. store sales in Chicago[4] | 120.0[c] | − 4.0 | + 6.2 |
| Consumer prices in Chicago[5] | 128.9 | − 0.1 | + 1.4 |
| Construction contracts[6] | 258.1 | +44.4 | +14.5 |
| Bank debits[7] | 208.7 | −10.8 | + 4.8 |
| Farm prices[8] | 76.0 | + 2.7 | − 8.4 |
| Life insurance sales (ordinary)[9] | 237.2 | −31.7 | − 8.0 |
| Petroleum production[10] | 120.2 | − 3.2 | + 2.2 |

[1] Fed. Power Comm.; [2] Ill. Dept. of Mines; [3] Ill. Dept. of Labor; [4] Fed. Res. Bank, 7th Dist.; [5] U. S. Bur. of Labor Statistics; [6] F. W. Dodge Corp.; [7] Fed. Res. Bd.; [8] Ill. Crop Rpts.; [9] Life Ins. Agcy. Manag. Assn.; [10] Ill. Geol. Survey.

[a] Revised series. [b] Data are for December, 1959; comparisons relate to November, 1959, and December, 1958. [c] Seasonally adjusted.

## UNITED STATES MONTHLY INDEXES

| Item | Jan. 1960 | Percentage change from Dec. 1959 | Percentage change from Jan. 1959 |
|---|---|---|---|
| | Annual rate in billion $ | | |
| Personal income[1] | 393.3[a] | + 0.3 | + 6.6 |
| Manufacturing[1] | | | |
| Sales | 369.6[a] | 0.0 | 0.0 |
| Inventories | 53.2[a, b] | + 1.7 | + 1.5 |
| New construction activity[1] | | | |
| Private residential | 18.0 | −12.6 | + 2.0 |
| Private nonresidential | 14.8 | − 8.0 | +11.3 |
| Total public | 11.8 | − 3.1 | −13.1 |
| Foreign trade[1] | | | |
| Merchandise exports | 20.1[c] | +13.2 | +10.6 |
| Merchandise imports | 17.7[c] | +15.2 | +17.9 |
| Excess of exports | 2.4[c] | + 0.7 | −24.4 |
| Consumer credit outstanding[2] | | | |
| Total credit | 51.4[b] | − 1.3 | +15.6 |
| Instalment credit | 39.4[b] | − 0.3 | +16.6 |
| Business loans[2] | 34.5[b] | − 3.2 | n.a. |
| Cash farm income[3] | 38.7[c] | −11.8 | +10.7 |
| | Indexes (1947-49 =100) | | |
| Industrial production[3] | | | |
| Combined index | 112[a, d] | + 2.8 | +12.0 |
| Durable manufactures | 112[a, d] | + 5.8 | +16.7 |
| Nondurable manufactures | 113[a, d] | 0.0 | + 7.6 |
| Minerals | 97[a, d] | − 1.0 | 0.0 |
| Manufacturing employment[4] | | | |
| Production workers | 101 | + 0.6 | + 4.8 |
| Factory worker earnings[4] | | | |
| Average hours worked | 101 | + 0.2 | + 1.3 |
| Average hourly earnings | 172 | + 0.9 | + 4.6 |
| Average weekly earnings | 175 | + 0.6 | + 5.9 |
| Construction contracts[5] | 193 | − 1.4 | − 5.4 |
| Department store sales[2] | 146[a] | − 1.4 | + 5.8 |
| Consumer price index[4] | 125 | − 0.1 | + 1.3 |
| Wholesale prices[4] | | | |
| All commodities | 119 | + 0.3 | − 0.2 |
| Farm products | 86 | + 0.7 | − 5.5 |
| Foods | 106 | + 0.8 | − 2.9 |
| Other | 128 | + 0.2 | + 1.0 |
| Farm prices[3] | | | |
| Received by farmers | 85 | + 1.2 | − 5.6 |
| Paid by farmers | 120 | + 0.8 | + 0.8 |
| Parity ratio | 77[e] | 0.0 | − 6.1 |

[1] U. S. Dept. of Commerce; [2] Federal Reserve Board; [3] U. S. Dept. of Agriculture; [4] U. S. Bureau of Labor Statistics; [5] F. W. Dodge Corp. [a] Seasonally adjusted. [b] End of month. [c] Data are for December, 1959; comparisons relate to November, 1959, and December, 1958. [d] 1957 = 100. [e] Based on official indexes, 1910-14 = 100. n.a. Not available.

## UNITED STATES WEEKLY BUSINESS STATISTICS

| Item | 1960 | | | | | 1959 |
|---|---|---|---|---|---|---|
| | Feb. 27 | Feb. 20 | Feb. 13 | Feb. 6 | Jan. 30 | Feb. 28 |
| Production: | | | | | | |
| Bituminous coal (daily avg.) thous. of short tons | 1,386 | 1,233 | 1,382 | 1,412 | 1,487 | 1,425 |
| Electric power by utilities mil. of kw-hr. | 14,092 | 14,226 | 14,071 | 14,097 | 14,313 | 12,972 |
| Motor vehicles (Wards) number in thous. | 185 | 190 | 183 | 193 | 206 | 153 |
| Petroleum (daily avg.) thous. bbl. | 7,318 | 7,312 | 7,256 | 7,293 | 7,136 | 7,199 |
| Steel 1947-49 = 100 | 156 | 155 | 156 | 156 | 158 | 145 |
| Freight carloadings thous. of cars | 553 | 572 | 580 | 588 | 602 | 576 |
| Department store sales 1947-49 = 100 | 110 | 107 | 115 | 111 | 111 | 118 |
| Commodity prices, wholesale: | | | | | | |
| All commodities 1947-49 = 100 | 119.3 | 119.2 | 119.2 | 119.2 | 119.5 | 119.5[a] |
| Other than farm products and foods 1947-49 = 100 | 128.6 | 128.6 | 128.6 | 128.6 | 128.6 | 127.8[a] |
| 22 commodities 1947-49 = 100 | 83.3 | 84.3 | 84.6 | 84.6 | 85.2 | 84.2 |
| Finance: | | | | | | |
| Business loans mil. of dol. | 30,186 | 30,278 | 30,063 | 29,957 | 29,862 | n.a. |
| Failures, industrial and commercial number | 277 | 289 | 317 | 318 | 281 | 296 |

Source: *Survey of Current Business, Weekly Supplements.*

[a] Monthly index for February, 1959. n.a. Not available.

# RECENT ECONOMIC CHANGES

## Farm Income

Net farm income, including government payments and the change in farm inventories, fell sharply in 1959 to $11.8 billion, a decline of almost 17 percent from the $14.2 billion of the previous year. Increased production expenses coupled with declining average prices more than offset record high marketing of both livestock and crops during the year. Excluding the inventory adjustment, realized net income of farm operators was down 16 percent, from $13.1 billion in 1958 to $11.0 billion last year. Average realized net income per farm was down in all but seven states, with Maine showing the largest decline of 52 percent. For the nation, average farm income fell 14.5 percent to $2,364 per farm.

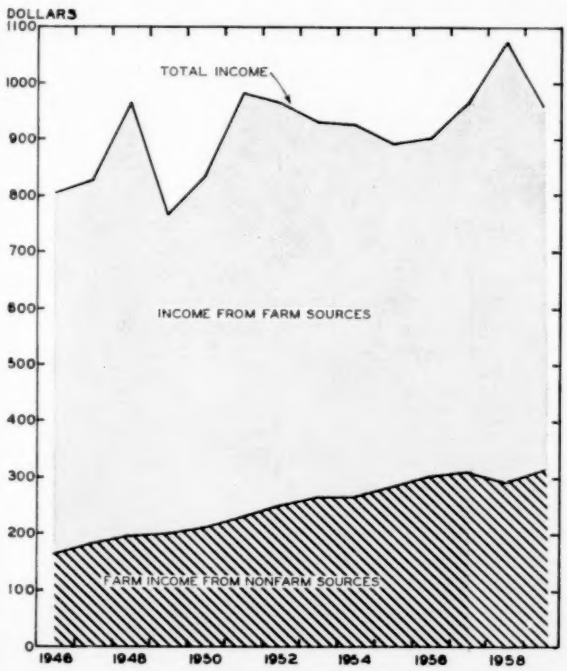
The decline in farm income was moderated somewhat by supplemental income earned by farmers in nonfarm jobs. This source of income has been rising steadily since the war, both absolutely and relatively (see chart). In 1946, on a per capita basis, income of the farm population from nonagricultural sources amounted to $162 per person, or 20 percent of income from all sources. Last year income earned off the farm rose to $317 per person, or 33 percent of the total per capita income of the farm population. On the other hand, average income from farming in 1959 was $643, virtually the same as in 1946.

Total farm income from all sources averaged about $960 per capita last year, compared with the nonfarm population income of $2,202 per person and an average for the whole population, farm and nonfarm, of $2,054.

## Gross National Product

The nation's output of goods and services regained most of the third-quarter decline during the final three months of 1959. Fourth-quarter GNP rose to a seasonally adjusted annual rate of $483.5 billion, just under the peak rate of $484.8 billion reached in the second quarter. The increase over the third-period rate amounted to almost $5 billion. The over-all advance was accounted for entirely by increases in consumer expenditures for nondurable goods and services and in business inventory investment.

**PER CAPITA NET FARM INCOME**




Source: U. S. Department of Agriculture.

GROSS NATIONAL PRODUCT OR EXPENDITURE
(Billions of dollars)

| | *1959* | *1958* | *4th Qtr. 1959** |
|---|---|---|---|
| Gross national product | 479.5 | 441.7 | 483.5 |
| Personal consumption | 311.6 | 293.0 | 317.0 |
| Durable goods | 43.0 | 37.6 | 42.8 |
| Nondurable goods | 147.9 | 141.9 | 150.1 |
| Services | 120.7 | 113.4 | 124.1 |
| Domestic investment | 71.1 | 54.9 | 69.7 |
| New construction | 40.2 | 35.8 | 39.2 |
| Producers' durable equipment | 26.1 | 22.9 | 27.5 |
| Change in business inventories | 4.8 | −3.8 | 3.0 |
| Nonfarm inventories only | 3.9 | −4.9 | 2.3 |
| Foreign investment | −.8 | 1.2 | −.6 |
| Government purchases | 97.6 | 92.6 | 97.4 |
| INCOME AND SAVINGS | | | |
| National income | 398.5 | 366.2 | n.a. |
| Personal income | 380.2 | 359.0 | 386.8 |
| Disposable personal income | 334.6 | 316.5 | 340.8 |
| Personal saving | 23.1 | 23.5 | 23.7 |

* Seasonally adjusted at annual rates.

For the year as a whole, GNP moved up almost $38 billion to a record high of $479.5 billion. Consumer expenditures accounted for over $18 billion of the increase. Investment in producers' durable goods and new construction added another $7 billion, while the shift from inventory liquidation in 1958 to accumulation in 1959 accounted for more than $8 billion. Foreign investment was the only major sector in which outlays declined during the year.

## Industrial Production

The spurt of activity following the steel strike settlement carried the Federal Reserve Board's index of industrial production to a new high during the first month of 1960. The seasonally adjusted index in January reached 169 percent of the 1947-49 average, a gain of 4 points over December. Although the 3 percent increase in January put the index 3 points above the former record of 166 percent established in May and June of last year, it represented a tapering off from the 6 percent jump recorded in December.

Leading the January advance in output was a record level of automobile production. Auto assemblies during the month rose to 134 percent of the average for 1957, compared with 87 percent in the previous month. In February, however, car production declined 4 percent.

## Unemployment

The number of jobless in February declined 218,000, whereas employment rose 500,000. These changes resulted in the lowest seasonally adjusted rate in 28 months.

Labor Department data, in thousands of workers, are as follows:

| | *Feb. 1960* | *Jan. 1960* | *Feb. 1959* |
|---|---|---|---|
| Civilian labor force | 68,451 | 68,168 | 67,471 |
| Employment | 64,520 | 64,020 | 62,722 |
| Agricultural | 4,619 | 4,611 | 4,692 |
| Nonagricultural | 59,901 | 59,409 | 58,030 |
| Unemployment | 3,931 | 4,149 | 4,749 |
| Seasonally adjusted rate | 4.8 | 5.2 | 5.9 |

# INVESTMENT OPPORTUNITIES IN THE BOND MARKET

**ROBERT W. MAYER, Professor of Finance**

Since the spring of 1958 an almost continuous downward movement of bond prices has produced a situation of considerable interest to investors.

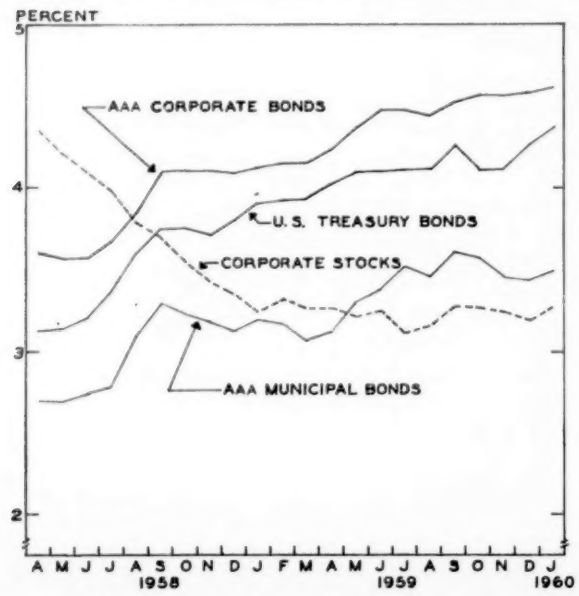
To those investors whose policy it is to maintain some kind of balance between defensive and aggressive securities in their portfolios, the high yields now earned by top-quality bonds afford very real attraction. Such investors — who often follow the formula-plan principle of shifting their holdings toward defensive securities when stock prices rise to heights beyond any reasonable discounting of expected earnings and dividends — could hardly expect to find better opportunities than at present. Even the sharp decline of stock prices in the first two months of 1960 has not significantly changed the picture.

## Bond Yields versus Stock Yields

What is the picture? Chart 1 shows how much the yields on investment-grade bonds have risen (in reflection of their price declines) since the spring of 1958, and how sharp has become the disparity from the "normal" relationship between bond yields and current dividend yields on stocks. This is not to suggest that conditions are ripe for speculative bond trading in anticipation of an early and sharp price rise. Speculative bond trading can be fully as hazardous as speculative stock trading.

Besides, some qualified observers believe that 1960 may bring an even further decline of bond prices. The business outlook, they feel, although not so optimistic as at the beginning of the year, is still favorable enough to warrant expecting that business firms will continue raising a good deal of new money. Moreover, the federal government, even in the unlikely event that it achieves a balanced budget, will still have to come into the market for large sums to meet its debt maturities. On the supply side, persistent inflationary psychology will inhibit the amount of new money which small and medium income savers bring to the bond market. Under these circumstances, so the argument goes, the Federal Reserve is unlikely to change its policy of nonsupport of government bond prices. The total effect, especially when augmented by the inflationary effects of the approaching elections in this country and of the developing economic boom abroad, would make any substantial upward movement of bond prices during 1960 unlikely.

CHART 1. BOND AND STOCK YIELDS




Even if immediate prospects do not favor *speculation* in bonds, however, the country's history and politics argue against indefinite continuance of today's high yields and suggest that *investment* in carefully selected bonds for long-term productivity may be well worth considering. Selection of bonds for investment is a highly technical matter calling for analysis of quantitative and qualitative evidence bearing upon the position and prospects of both issuer and security. Grade rating by reliable financial services may relieve the investor of some of this work; but it cannot relieve him of the necessity to analyze and assess his own investment requirements — to recognize that qualities which may be valuable to other investors may be worthless (or worse) to him, to recognize, in short, that in investment one man's meat may be another man's poison.

Even mere enumeration of attractions and hazards which various types of bonds may hold for various types of investors is beyond the scope of a short article. Three aspects of today's situation, however, bear especially interesting comparison (or contrast) with their counterparts in earlier eras of bond investment popularity.

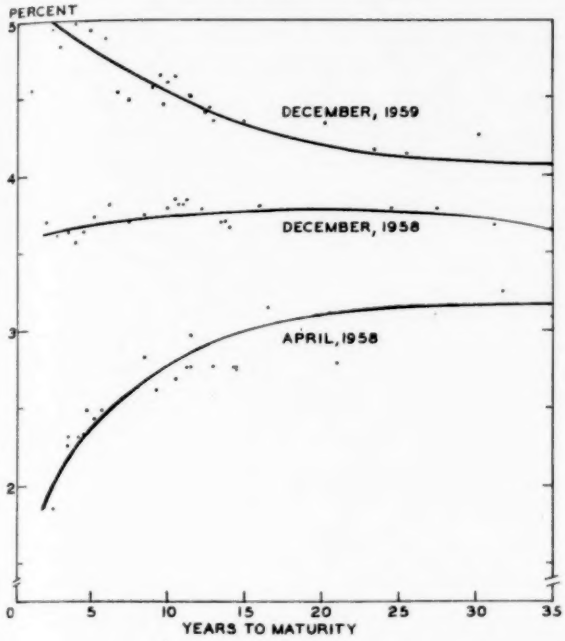
## Rise in Yields on Short Maturities

One striking consequence of the rise of yields has been a marked change in the pattern of federal government bond yields. (See Chart 2.) Yields have risen all along the line, but the rise has been greater in the short maturities than in the long — so much so that yields on the shorts are actually higher than those on the longs. This condition is by no means novel, but it has not obtained for many years. Indeed, the yields on government securities had been held artificially low by Federal Reserve support for so long a time that a classical principle has been almost forgotten: when the general level of interest rates is low, the short-term rates tend to be lower than the long-term rates; when the general level of rates is high, the short-term rates tend to be higher than the long-term rates.

When borrowers consider the general level to be low (that is, when they expect it to be higher in the future), they naturally wish to secure the benefit of the favorable rates over as long a period as possible, so they bid up the price of long-term funds and exert relatively little demand for short-term funds. Lenders, in such circumstances, wish to avoid committing their funds any longer than necessary at rates unfavorable to themselves, so they offer more funds at short than at long term, thus depressing the price of the former. When the general level of interest rates is considered high (that is, when it is expected to be lower in the future), the attitudes of both borrowers and lenders are reversed: borrowers bid up the price of short-term funds relative to that of long-term funds, and lenders depress the price of long-term funds relative to that of short-term funds.

The moral for the investor is that under present market conditions he must not take for granted, as he has been able to do for a good many years, that the longer the term for which he is willing to commit his funds, the

CHART 2. YIELD-MATURITY PATTERNS OF TREASURY BONDS




higher the yield he can count upon. On the contrary, he must use care to secure his optimum combination of yield and maturity.

## Advantages of Tax Exempts

As a second consequence of the bond price decline, some investors have awakened to the realization that they need not necessarily be millionaires to appreciate the tax-exempt feature of municipal bonds. The large increase of tax rates on personal income during World War II made exemption so attractive to wealthy investors that it became almost a tradition to consider that they would bid up the prices of municipal bonds beyond the reach of the moderate-income investor. For many years yields on the order of 2 percent were characteristic, and such a return was far from sufficient to attract investors in the medium income brackets.

The current situation prompts reconsideration of this attitude. Today, even the highest-grade (Aaa) municipal bonds can be purchased to yield 3½ percent. As indicated by Chart 3, the taxable yield equivalent of such a tax-exempt yield is 5 percent if the investor's taxable income is $6,000-$8,000 and 8½ percent if it reaches into the $22,000-$24,000 bracket. Indeed, even higher yields can be secured without very great sacrifice of safety. Prices of top-quality bonds are bid up somewhat artificially by certain types of institutional investors which are legally restricted to such securities for their portfolios. The ordinary investor, by going down to Aa or A grade municipal bonds (he probably should go no further), can materially improve his yield.

The types of securities in this category are quite varied. Ordinarily the individual investor is wise to refrain from tying up much capital in the bonds of small cities, school districts, and the like, because of their lack of marketability. There are plenty of larger governmental units, however, whose credit is both strong and nationally known, and their securities therefore enjoy entirely adequate secondary liquidity. Bonds such as those the State of Illinois would use to finance the construction of urgently needed educational and welfare buildings (assuming the electorate approves their issue in the autumn elections) would be of this type and should be attractive to investors throughout the nation.

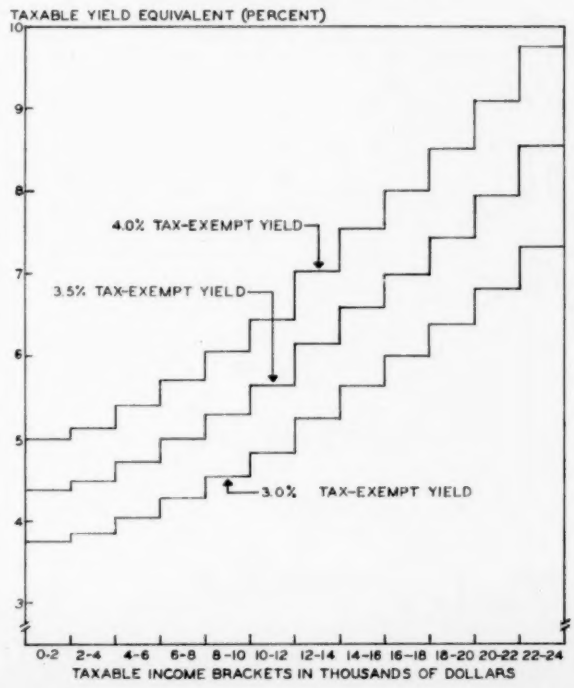
Even revenue bonds, long looked at askance by the conservative investor, can appropriately form a part of the ordinary investor's portfolio if he takes the trouble to assure himself that the revenue source is really reliable. The bonds utilized by the University of Illinois to finance construction of dormitories are of this type because there is already a shortage of university-owned housing, and the coming years will bring a large and permanent increase of the university's enrollment.

## A Second Look at Convertibles

A third consequence of the bond price decline has been a certain amount of disillusionment about the investment qualities of convertible industrial and public utility bonds. The popularity of these securities during the 1950's has been based on their "eat your cake and have it too" nature. Many investors have been intrigued by the notion that convertibles offer a hedge against both inflation and deflation: If inflation continues, the stock will carry the bond price up with it and produce a handsome capital gain; if deflation sets in, the bond price will not fall below its "yield value floor," and the interest income, fixed in dollars, will enjoy an increase of purchasing power. The 1958-59 descent of bond prices shows that in some circumstances the "yield value floor" may not be very firm, and that if the stock sells at too low a level to provide speculative support, the holder may be sadly disappointed about that side of his hedge. Such circumstances had not cropped up for years, to be sure, and many investors apparently forgot that they ever could.

Investors need not eschew convertible bonds entirely, however, just because they have proved to be no panacea for investment problems. What is needed in their selection is proper attention to certain well-established precepts. In the first place, the investor should avoid being lulled by the generally defensive character of the security

CHART 3. TAXABLE YIELD EQUIVALENTS OF TAX-EXEMPT YIELDS



into considering it unnecessary to investigate the merits of the stock as a stock. At the same time he should avoid being lulled by the generally aggressive character of the conversion feature into considering it unnecessary to investigate the merits of the bond as a bond. More specifically, the investor may be well advised to refrain from paying a price substantially in excess of the bond's yield value — that is, the prevailing price for non-convertible bonds which are otherwise similar in characteristics. If he does, he is buying, to the extent of the excess, not bond but stock.

Another point — "obvious" but often ignored — is that he should avoid paying a price in excess of (or even very close to) the call price, especially if the stock is selling below conversion parity. The call price usually constitutes an effective ceiling or limit to appreciation. It is also desirable to avoid — or at least to view with skepticism — bonds which are convertible at prices that are graduated upward with the passage of time. All too often the upward march of the conversion price stays just enough ahead of the market price of the stock to prevent the latter from ever having any substantial effect on the market value of the bond.

Finally, but not least important, the interest requirements on the bond — plus interest on any other long-term debt — should absorb no more than a fourth or a third of normal net income. This may appear to be a counsel of extreme conservatism, but the bond investor who disregards it should blame no one but himself if a setback of the company's fortunes threatens default of interest and drops the bond both in grade and in price.

The probabilities are very great that financial historians looking back from the vantage of 1980 will say that early 1960 was an unusually high interest period. Investors who take the trouble to look carefully about them today for some of the unusually favorable opportunities for bond investment can add to their portfolios both productivity and defensive strength which may prove invaluable in the years to come.

## High Cost of Medical Care

(Continued from page 2)

The number of hospital beds increased by over 10 percent between 1948 and 1958 but the ratio dropped from 9.7 to 9.1 per 1,000 population. Furthermore, the rate of utilization rose from 115 to 137 admissions annually per 1,000 population. Under the impact of rising demand, hospital rates have soared more than 110 percent from 1947-49.

What has saved the situation somewhat is that the average patient stay in general short-term hospitals fell by about 15 percent during the same period. The use of new drugs has enabled sending some patients home more quickly, for example, maternity cases, and early diagnosis has speeded the treatment of others.

The complexity of medicine that has led to group practice centered on a hospital or well-equipped clinic has also made it necessary to pay high rates. Hospitals generally charge rates to cover costs; hospital expense per patient-day rose from $14.06 in 1948 to $29.24 in 1958; of this, payroll per patient-day accounted for $7.57 in 1948 and $17.71 in 1958.

At work here have been the same factors that increased auxiliary and hence total costs in industry generally. Each hospital wants a complement of up-to-date equipment and laboratory facilities that is very expensive. Each piece of equipment needs trained operators to make it useful. The operator's salary tends to be the larger and more enduring part of the cost of the services provided. Where such equipment and skills are needed for only a small proportion of all patients, the costs per patient-day are very high indeed. There is, in addition, a tendency to use the equipment in cases of doubtful need as partial justification for having it available.

### Health Insurance

Abetting the upward movement in medical costs are the financial arrangements provided by health insurance plans. These vary greatly in character. Some are organized by insurance companies; others are organized by hospital or medical associations. Some are open to anyone who wants to sign up, others only to company employees or a labor union, perhaps leaving the individual no choice about participating. Some offer relatively complete coverage of medical expenses, others are limited in coverage, mostly focusing on costs of surgery and hospitalization. Over 70 percent of the people are covered by one kind of plan or another. Benefit payments cover about a quarter of all private medical care bills.

All these plans offer the attraction of "easy payments." However, the slogan, "Join now to beat the high cost of medical care!" is illogical, because total charges have to cover not only medical costs but also the expenses of operating the program. In 1958, insurance benefits were $3.7 billion; expenses for prepayment were $645 million, or a sixth of benefits. The upward trend in hospitalization insurance premiums has been even sharper than in hospital rates; since 1951, when first included in the consumer price index, the increase has been almost 90 percent.

For the individual, these plans do offer, on an alternative cost basis, relief from going into debt to cover large unforeseen medical expenses. For the hospital and doctor, they provide an assured collection system guaranteeing payment of their bills and a means of avoiding "socialized medicine." Both forms of protection fade away when the unemployed cannot keep up the premiums.

Since there is laxity when direct financial responsibility is missing, the programs are subject to abuse. Consumers feel free to ask for more medical service. Doctors and hospitals are inclined to provide services they might otherwise not consider necessary. Recently, for example, a patient was sent to the hospital for a minor scalp operation that might have been done in the doctor's office — in order to "get the benefit of his group insurance." The one-day hospital bill was $96. He demanded and received an itemized statement, which he took to his insurance representative with a remark about the size of the bill. He was told, "What do you care? You're not paying it!"

Certainly the rise in group hospitalization costs is based not alone on rising prepayments costs but also on increased hospital utilization. The average admission rate of 14 per 100 insured persons per year is half again as high as the 9 per 100 rate for uninsured persons, though part of this difference is no doubt due to age and other differences between the two groups.

We may well agree with Markley Roberts' over-all summary: "Medical care is becoming wonderfully effective and appallingly expensive." Much will no doubt continue to be done in promoting the first of these conditions. The second also seems likely to prevail. A complex of interlocking elements makes it practically impossible to separate the technically necessary from the profitably wasteful; and any attempt to attack this problem from the demand side would involve creation of an intolerably high level of unemployment. VLB

# BUSINESS BRIEFS

***PUBLICATIONS AND DEVELOPMENTS OF BUSINESS INTEREST***

## Soil Bank Deposits

According to the United States Department of Agriculture, an estimated 28 million acres of the nation's cropland has been deposited in the Soil Bank. This means that about 5 percent of the nation's cropland will be out of production in 1960. Nearly two-thirds of the farmers in the program deposited their entire farms, a total of 15 million acres, for which they will receive an average annual rental payment of $11.53 per acre.

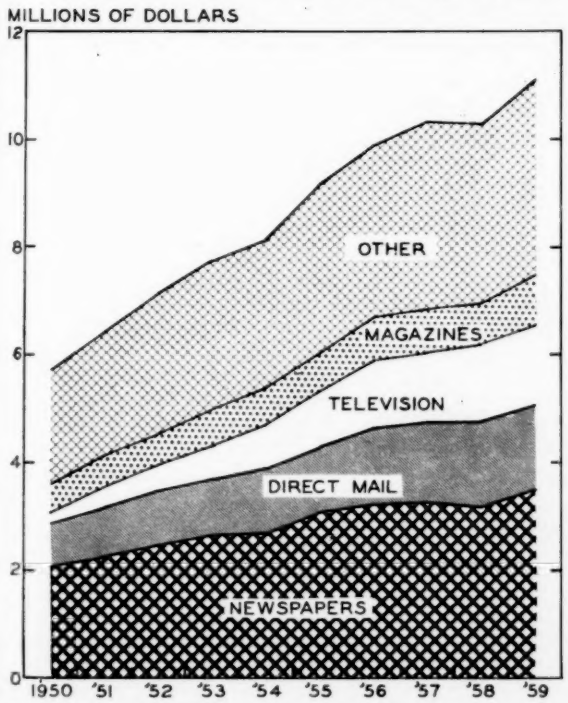
Of the 48 states participating in the program, only seven have deposited over a million acres. Most of these states are large producers of wheat. Three states, Utah, New Mexico, and Colorado, have over 10 percent of their cropland in the Soil Bank. In contrast, Nevada and Arizona have less than 1 percent of their cropland deposited. Illinois has about 345,000 acres in the program, or 1.5 percent of its total cropland, compared with 1.9 percent in Iowa, 2.6 percent in Indiana, and 2.7 percent in Ohio.

## Consumer-Product Rating Publications

The University of Illinois Bureau of Economic and Business Research has released a study by Hugh W. Sargent entitled *Consumer-Product Rating Publications and Buying Behavior* (80 pages, $1.50). The objective of the study was to ascertain what influence the *Consumer Research Bulletin* and *Consumer Reports* have upon consumer buying.

The results of the study indicate that the published brand ratings do have an influence upon the buying patterns of households which refer to them, particularly for major purchases. It was also found that those who consulted one or both of the magazines considered additional factors before making a purchase, especially past experience with a brand or manufacturer and the possible price discount or "deal." The survey indicated further that the subscribing and consulting households were above average in their income and educational attainments.

**ADVERTISING EXPENDITURES, 1950-59**




Source: McCann-Erickson, Inc., *Printers' Ink.*

## Largest Manufacturers

The February, 1960, issue of *Business Record* gives a complete listing of the 300 largest manufacturing corporations in the nation. The report gives the total assets of each of the 300 firms and provides additional financial data for the leading 200 corporations. The 1958 ranking according to assets was led for the third consecutive year by the Standard Oil Company of New Jersey, followed by General Motors and United States Steel. Fourteen new names entered the ranks of the top 300 manufacturers; these new listings were from such industries as food, chemicals, aircraft, and machinery.

Among the industries represented in the list of the leading 300 corporations, the food, beverages, and tobacco industry had the largest number of firms represented with 41; however, it held only 8.0 percent of the group's total assets. The chemicals and allied equipment industry was second with 37 companies listed and 9.8 percent of total assets. Although the steel and petroleum industries ranked third and fourth in the number of firms listed, they held the largest proportion of total assets with 12.1 percent and 26.7 percent respectively.

More than 70 percent — 145 companies — of the first 200 corporations reported increased assets in 1958, resulting in a total of nearly $130 billion for the entire group. This was a gain of $4.8 billion over the 1957 total. Eleven companies among the top fifty experienced a reduction in their total assets during 1958, compared with three companies in the previous period. Among the top 200 manufacturers, assets ranged from an all-time high of $9.5 billion to a low of $157 million.

## Advertising Expenditures

During the past decade, American industry spent a total of $86 billion in advertising its goods and services, according to estimates released recently by *Printers' Ink.* Advertising outlays rose continuously, with the exception of 1958, from $5.7 billion in 1950 to $11.1 billion in 1959, an increase of 95 percent.

As is shown in the accompanying chart, the most striking feature of the rising advertising outlays during the fifties was the emergence of television as an important advertising medium. Advertising expenditures for television programing amounted to about $170 million in 1950, or 3 percent of the total advertising volume, as compared with $1.5 billion, or 14 percent of total advertising expenditures, in 1959.

Newspapers are still the leading advertising medium, with expenditures rising from $2.1 billion in 1950 to $3.5 billion in 1959. However, their proportion of total advertising outlays declined from 36 percent in 1950 to 32 percent in 1959. Television, business papers, and direct mail have increased in relative importance since 1950.

Among the manufacturing and retail trade industries, advertising costs averaged 1.4 cents per dollar of sales. The advertising sales-ratio ranged from 5.2 percent for tobacco companies to 0.2 percent for transportation equipment manufacturers. Furniture stores were highest in retail trade, with a ratio of 3.3 percent.

# LOCAL ILLINOIS DEVELOPMENTS

In January the major indexes of Illinois business showed diverse movements. Construction contracts jumped 44 percent and farm prices rose 3 percent above the previous month. The sharpest decline was in life insurance sales, which dropped 32 percent.

## Illinois Tollways

According to the Illinois State Tollway Commission, the net revenue from the operation of the 187-mile Illinois Tollway in 1959 amounted to $10.2 million. Gross revenue was nearly $15.0 million, with $14.5 million coming from passenger cars and commercial vehicles and $414,000 from concessions and other services. Daily toll revenues averaged nearly $41,000 during the year, ranging from a low of $10,000 to a high of $82,000.

The Tollway Commission announced that toll collections so far this year are up substantially from last year at this time. Net revenue for the month of January amounted to $674,000, compared with $197,000 in January a year ago.

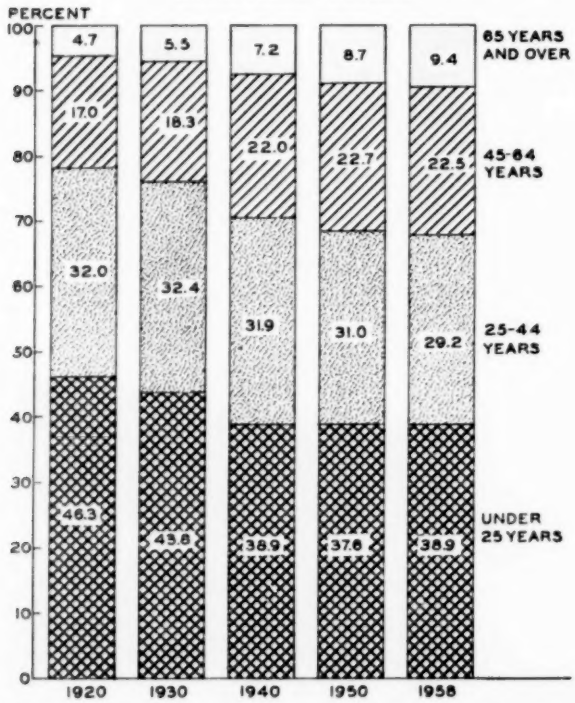
The commission plans to have three additional oases constructed. These are scheduled to be in operation in 1961 and will supplement the five oases now in operation. Each of the new oases will consist of an "over-the-tollway" restaurant and twin service stations. In recent months three major sections of new access expressway connections to the tollway were opened to traffic. These connect the tollway with Interstate 94, Interstate 90, and the Northwest Expressway.

## Illinois Farms

Among the most important changes which have taken place in Illinois agriculture during the past twenty years are the pronounced increase in the size of farms and the accompanying decrease in the number of farms. The 1959 Farm Census conducted by the Illinois Cooperative Crop Reporting Service shows that the average farm in Illinois has 185 acres, almost 40 acres more than in 1939. This increase has required extensive mechanization and continual increases in capacity of equipment on the farms.

The number of Illinois farms dropped from 213,000 in 1939 to 165,000 in 1959, a decrease of 22 percent. The decline was largely due to consolidation of farms and to a lesser extent to the reduction in total farm land. Since 1939 the total farm land in the State has decreased from 31.0 million acres to 30.7 million acres. Urban development and new highways have taken the greater part of this 300,000 acres. As would be expected, the areas adjacent to large metropolitan communities have been the most affected. For example, the total farm acreage in Cook County has decreased from 230,000 in 1939 to 158,000 in 1959, a decline of 31 percent.

POPULATION DISTRIBUTION BY AGE, SELECTED YEARS




Source: Illinois Department of Public Health, *Vital Statistics Illinois 1958*, p. 1.

## Planning Commission's Reports

The Sangamon County Regional Planning Commission has published four reports presenting a comprehensive long-range regional plan for the development of Sangamon County. The four reports are entitled *Economic Potentials, Land Use Plan, Circulation Plan,* and *School and Park Plan.*

The report on economic potentials reviews the economic resources and facilities characteristic of the area and recommends ways to promote their development. In the second report the commission outlines major proposals for better utilization of land. The third report answers questions about what needs to be done to maintain and improve the highway and rail transportation system within the region. The fourth report presents a survey of past and existing conditions of schools and recreation facilities in the county and evaluates them in relation to future needs.

These reports are available for $1.50 each or $5.00 for the set from the Sangamon County Regional Planning Commission, 617 East Jefferson, Springfield, Illinois.

## Distribution of Population

Data released recently by the Illinois Department of Public Health indicate that the population of Illinois has been undergoing a number of significant changes during the past few decades. The emigration of young people from farming areas to industrial centers has resulted in a declining birth rate and a rising death rate in several counties.

Another change is the increased proportion of nonwhites in the Illinois population. As of July, 1958, there were an estimated 9.9 million people in the State, of whom 90.7 percent were white and 9.3 percent nonwhite. The nonwhite proportion of total population was 7.6 percent in 1950 and 2.9 percent in 1920.

Since 1920 the age distribution of the population of Illinois has changed appreciably (see chart). Persons under 25 years of age accounted for 46.3 percent of total population in 1920, 37.6 percent in 1950, and 38.9 percent in 1958. The proportion of those in the 25-to-44 age group has declined from 32.0 percent in 1920 to 29.2 percent in 1958, whereas those 45 to 64 years of age have increased from 17.0 percent in 1920 to 22.5 percent in 1958. The proportion of people in the advanced years, 65 years and over, has doubled since 1920, rising from 4.7 percent to 9.4 percent.

## COMPARATIVE ECONOMIC DATA FOR SELECTED ILLINOIS CITIES

**January, 1960**

| | Building Permits[1] (000) | Electric Power Consumption[2] (000 kwh) | Estimated Retail Sales[3] (000) | Department Store Sales[4] | Bank Debits[4] (000,000) | Postal Receipts[5] (000) |
|---|---|---|---|---|---|---|
| **ILLINOIS** | **$22,561**[a] | **1,320,260**[a] | **$695,025**[a] | | **$18,243**[a] | **$18,184**[a] |
| Percentage change from Dec., 1959 | −6.3 | +2.2 | +23.7 | −56 | −10.8 | −11.7 |
| Percentage change from Jan., 1959 | +43.1 | +4.3 | −0.5 | +2 | +4.8 | +2.7 |
| NORTHERN ILLINOIS | | | | | | |
| **Chicago** | **$14,165** | **974,698** | **$506,770** | | **$16,771** | **$15,264** |
| Percentage change from Dec., 1959 | −20.3 | +1.7 | +24.0 | −55 | −11.1 | −14.5 |
| Percentage change from Jan., 1959 | +34.0 | +4.1 | +0.1 | +2 | +5.1 | +2.0 |
| **Aurora** | **$ 201** | n.a. | **$11,609** | | **$ 82** | **$ 175** |
| Percentage change from Dec., 1959 | −84.9 | | +20.9 | −57 | −5.1 | −7.1 |
| Percentage change from Jan., 1959 | −63.5 | | +2.4 | +5 | +12.0 | +1.3 |
| **Elgin** | **$1,041** | n.a. | **$ 7,829** | | **$ 50** | **$ 150** |
| Percentage change from Dec., 1959 | +439.4 | | +12.1 | n.a. | −5.6 | −0.7 |
| Percentage change from Jan., 1959 | +131.8 | | −6.3 | | +3.0 | +24.3 |
| **Joliet** | **$ 341** | n.a. | **$14,265** | | **$ 95** | **$ 167** |
| Percentage change from Dec., 1959 | +49.6 | | +36.7 | −59 | −3.6 | +17.9 |
| Percentage change from Jan., 1959 | +34.3 | | +3.9 | +7 | +0.4 | +6.8 |
| **Kankakee** | **$ 54** | n.a. | **$ 6,360** | | n.a. | **$ 75** |
| Percentage change from Dec., 1959 | −67.5 | | +23.7 | n.a. | | −0.3 |
| Percentage change from Jan., 1959 | −79.3 | | −6.8 | | | +4.3 |
| **Rock Island-Moline** | **$ 772** | **30,292** | **$14,159** | | **$ 120**[b] | **$ 204** |
| Percentage change from Dec., 1959 | −25.2 | +4.5 | +17.3 | n.a. | −5.9 | −7.7 |
| Percentage change from Jan., 1959 | +47.0 | +12.4 | +5.8 | | +8.8 | −0.4 |
| **Rockford** | **$ 558** | **57,600**[c] | **$23,394** | | **$ 206** | **$ 337** |
| Percentage change from Dec., 1959 | −35.1 | +9.3 | +25.7 | −62[c] | −6.6 | +9.7 |
| Percentage change from Jan., 1959 | −4.5 | +10.2 | −2.3 | +3[c] | +7.4 | +6.2 |
| CENTRAL ILLINOIS | | | | | | |
| **Bloomington** | **$ 141** | **11,321** | **$ 6,812** | | **$ 74** | **$ 124** |
| Percentage change from Dec., 1959 | −28.1 | +4.3 | +23.4 | n.a. | −6.3 | +0.2 |
| Percentage change from Jan., 1959 | +95.8 | +17.6 | −5.0 | | +5.6 | +18.1 |
| **Champaign-Urbana** | **$ 145** | **15,375** | **$ 9,818** | | **$ 80** | **$ 162** |
| Percentage change from Dec., 1959 | −4.6 | −2.0 | +16.6 | n.a. | −3.6 | +14.7 |
| Percentage change from Jan., 1959 | −44.9 | +5.5 | −4.2 | | −9.8 | +5.2 |
| **Danville** | **$3,229** | **14,173** | **$ 7,815** | | **$ 54** | **$ 92** |
| Percentage change from Dec., 1959 | +2,364.9 | +1.5 | +32.0 | −64 | +3.8 | +1.8 |
| Percentage change from Jan., 1959 | +1,599.5 | −1.3 | −4.1 | −7 | −2.3 | −8.7 |
| **Decatur** | **$ 333** | **35,883** | **$13,839** | | **$ 117** | **$ 180** |
| Percentage change from Dec., 1959 | −52.5 | −1.4 | +21.6 | −61[c] | −5.9 | +15.6 |
| Percentage change from Jan., 1959 | +1.8 | −1.3 | −6.2 | −4[c] | −2.7 | +0.5 |
| **Galesburg** | **$ 12** | **10,239** | **$ 5,734** | | n.a. | **$ 67** |
| Percentage change from Dec., 1959 | −91.1 | +6.3 | +27.2 | n.a. | | +14.5 |
| Percentage change from Jan., 1959 | +140.0 | −3.2 | −3.3 | | | +7.1 |
| **Peoria** | **$ 209** | **62,559**[c] | **$22,102** | | **$ 224** | **$ 423** |
| Percentage change from Dec., 1959 | −52.1 | +2.4 | +23.4 | −62 | −12.0 | −3.4 |
| Percentage change from Jan., 1959 | −47.0 | +2.8 | +1.4 | −4 | −3.1 | +15.0 |
| **Quincy** | **$ 95** | **12,318** | **$ 6,840** | | **$ 49** | **$ 120** |
| Percentage change from Dec., 1959 | −42.8 | +5.4 | +31.3 | n.a. | −9.6 | +34.7 |
| Percentage change from Jan., 1959 | −63.0 | +3.6 | +3.1 | | +3.7 | +24.9 |
| **Springfield** | **$ 985** | **41,679**[c] | **$16,032** | | **$ 132** | **$ 379** |
| Percentage change from Dec., 1959 | +256.9 | +4.7 | +17.9 | −59[c] | −9.3 | +11.1 |
| Percentage change from Jan., 1959 | +210.7 | +2.3 | −8.7 | +3[c] | −3.5 | +5.2 |
| SOUTHERN ILLINOIS | | | | | | |
| **East St. Louis** | **$ 167** | **16,741** | **$ 9,920** | | **$ 146** | **$ 138** |
| Percentage change from Dec., 1959 | +160.9 | +3.4 | +20.3 | n.a. | −8.5 | +32.0 |
| Percentage change from Jan., 1959 | +542.3 | +18.2 | −2.9 | | −2.7 | +4.4 |
| **Alton** | **$ 81** | **24,871** | **$ 6,149** | | **$ 45** | **$ 41** |
| Percentage change from Dec., 1959 | −45.6 | +1.4 | +21.8 | n.a. | −10.8 | −23.1 |
| Percentage change from Jan., 1959 | −76.1 | −5.4 | −3.6 | | −3.8 | −31.6 |
| **Belleville** | **$ 32** | **12,511** | **$ 5,577** | | n.a. | **$ 85** |
| Percentage change from Dec., 1959 | −66.0 | +2.7 | +24.3 | n.a. | | +24.3 |
| Percentage change from Jan., 1959 | −91.6 | +11.0 | −2.9 | | | +14.9 |

[a] Total for cities listed. [b] Includes East Moline. [c] Includes immediately surrounding territory. n.a. Not available.

Sources: [1] U. S. Bureau of Labor Statistics. Data include federal construction projects. [2] Local power companies. [3] Illinois Department of Revenue. Data are for December, 1959. Comparisons relate to November, 1959, and December, 1958. [4] Research Departments of Federal Reserve Banks in Seventh (Chicago) and Eighth (St. Louis) Districts. Department store sales percentages rounded by original sources. [5] Local post office reports. Four-week accounting periods ending January 15, 1960, and January 16, 1959.

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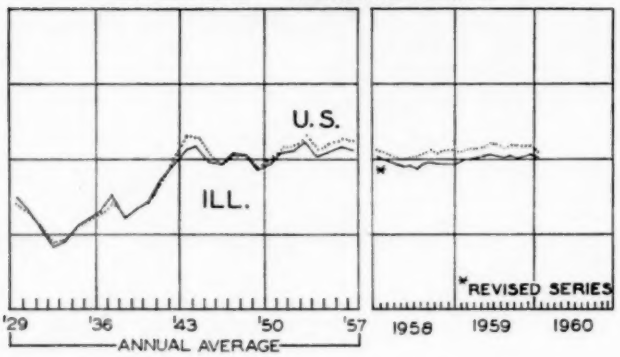
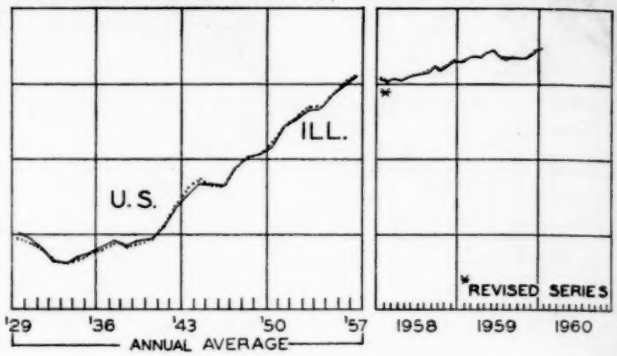
# INDEXES OF BUSINESS ACTIVITY

## 1947-1949 = 100

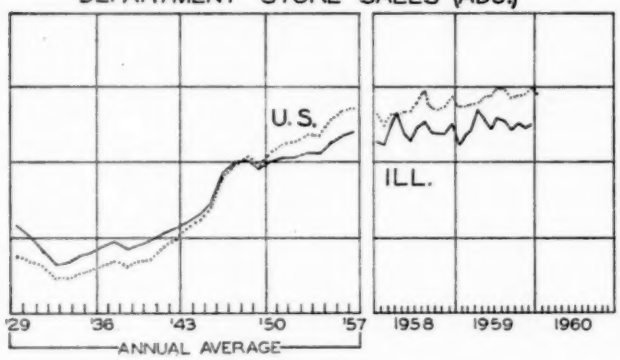
EMPLOYMENT MANUFACTURING



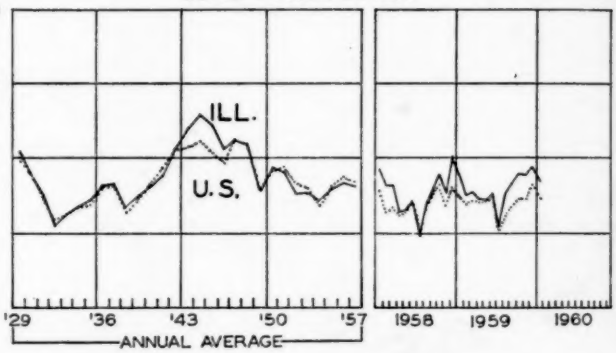

AVERAGE WEEKLY EARNINGS—MANUFACTURING



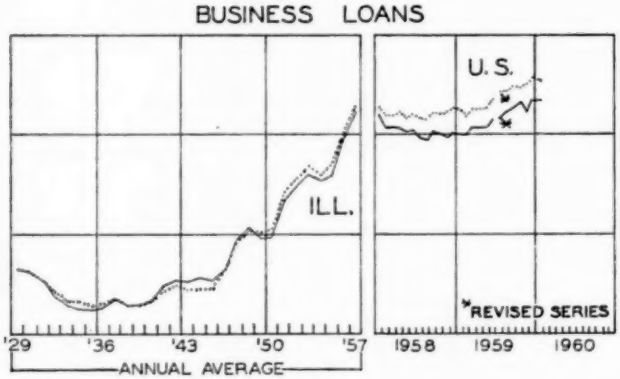

DEPARTMENT STORE SALES (ADJ.)



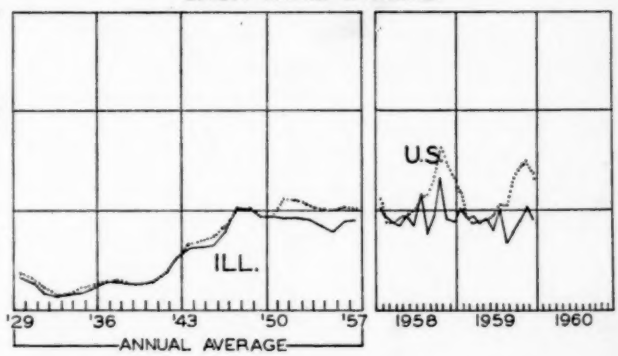

COAL PRODUCTION



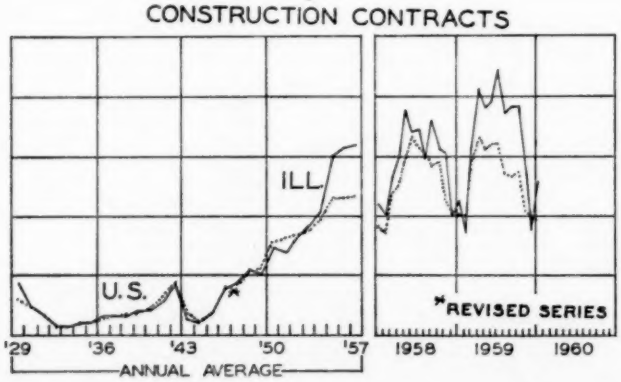

BUSINESS LOANS

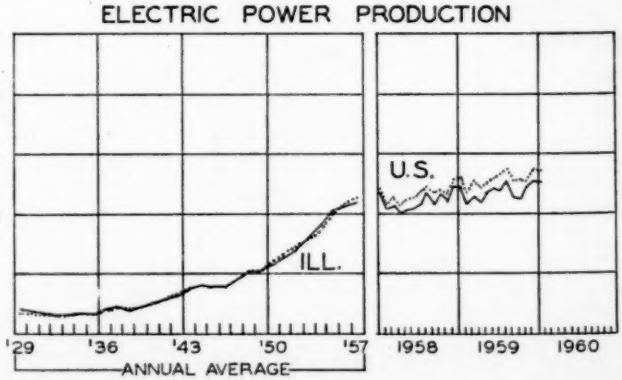



CASH FARM INCOME




CONSTRUCTION CONTRACTS




ELECTRIC POWER PRODUCTION